

REPORT ON EXAMINATION

of the

**TENNESSEE INSURANCE COMPANY
4400 HARDING ROAD
NASHVILLE, TENNESSEE**

as of

DECEMBER 31, 2006

DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE



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Nashville, Tennessee
January 30, 2008

Honorable Leslie A. Newman
Commissioner
State of Tennessee
Department of Commerce and Insurance
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tennessee insurance laws, regulations, and resolutions adopted by the National Association of Insurance Commissioners ("NAIC"), a risk-focused financial examination was made of the condition and affairs of the

TENNESSEE INSURANCE COMPANY
4400 HARDING ROAD
NASHVILLE, TENNESSEE

hereinafter and generally referred to as the "Company", and a report thereon is submitted as follows:

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors. Members of the Board were appointed as in the bylaws of the Company as amended on January 8, 1985. Members shall hold office for the ensuing year and until successor is elected and qualified. The Directors are comprised of the following members as of December 31, 2006:

| Name | Principal Occupation |
|-------------------|---|
| John R. Ingram | Vice Chairman of Ingram Industries, Inc. |
| Orrin H. Ingram | President of Ingram Industries, Inc. |
| Jeffrey K. Belser | Vice President and Treasurer of Ingram Industries, Inc. |

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's bylaws:

| Name | Title |
|-----------------------|------------------------------------|
| Orrin H. Ingram | Chairman of the Board |
| Mary K. Cavarra | President |
| Donald E. Rickenbaugh | Senior Vice President, Reinsurance |
| Jeffrey K. Belser | Treasurer |
| William P. Morelli | Secretary |
| Janet C. Ingle | Assistant Secretary |
| Eleanor G. McDonald | Assistant Secretary |

Articles of Incorporation

The Company was incorporated on January 15, 1930, and commenced business on March 1, 1930, to write fire, marine, storm and tornado insurance. The Secretary of State approved the last amendment to the Company's charter on March 4, 1985.

Territory and Plan of Operations

The Company is licensed in Tennessee only. On December 2, 2004, the Company ceded its entire book of private passenger auto insurance. Currently, the Company only manages the run-off of the long-tail, casualty reinsurance premiums and losses acquired from Bluewater Insurance Ltd.

Holding Company

Ingram Industries Inc., a closely held corporation, ultimately owns the Company.

Scope of Examination

The purpose of the examination was to make an assessment of the financial condition of the Company as of December 31, 2006. To substantiate the various items, a risk focused basis exam was recommended by the Department of Commerce and Insurance, State of Tennessee ("Department") as prescribed by the NAIC Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency.

Financial Statements

The financial condition of the Company, as of December 31, 2006, is reflected in the Statement of Assets, Liabilities, Surplus and Other Funds.

| | Assets | Nonadmitted | Net Admitted |
|---|---------------------|---------------|---------------------|
| | <u>Assets</u> | <u>Assets</u> | <u>Assets</u> |
| Bonds | \$8,494,322 | \$ | \$8,494,322 |
| Common stocks | 1,006,604 | | 1,006,604 |
| Cash and short-term investments | <u>1,842,319</u> | | <u>1,842,319</u> |
| Total cash and invested assets | <u>11,343,245</u> | <u>0</u> | <u>11,343,245</u> |
| Investment income due and accrued | 105,320 | | 105,320 |
| Amounts recoverable from reinsurers | 76,144 | | 76,144 |
| Funds held by or deposited with reinsured companies | 13,217 | | 13,217 |
| Current federal and foreign income tax recoverable and interest thereon | 226,016 | | 226,016 |
| Receivables from parent, subsidiaries and affiliates | 24 | | 24 |
| Interest due and accrued | 165,195 | | 165,195 |
| Aggregate write-ins for other than invested assets | <u>5,405</u> | <u>0</u> | <u>5,405</u> |
| Totals | <u>\$11,769,371</u> | <u>\$0</u> | <u>\$11,769,371</u> |

LIABILITIES, SURPLUS AND OTHER FUNDS

| | |
|---|---------------------|
| Losses | \$6,629,149 |
| Reinsurance payable on paid loss and loss adjustment expenses | 1,030,305 |
| Loss adjustment expenses | 15,348 |
| Other expenses | 60,129 |
| Taxes, licenses and fees | 46,368 |
| Provision for reinsurance | <u>15,230</u> |
| Total liabilities | <u>7,796,529</u> |
| Common capital stock | 2,765,700 |
| Gross paid in and contributed surplus | 5,051,721 |
| Unassigned funds | <u>(3,844,579)</u> |
| Surplus as regards policyholders | <u>3,972,842</u> |
| Totals | <u>\$11,769,371</u> |

Summary of Examination Changes

There were no changes made to the financial statements as a result of this examination.

Subsequent Events


During 2007, the Company's surplus fell to \$965,804 below the required minimum of \$1,000,000 allowed under TCA 56-2-115. On November 19, 2007 the Department approved TIC's redemption of capital stock in the amount of \$1,765,700. Under this agreement, Ingram would contribute the redemption proceeds back to TIC; TIC would subsequently place the proceeds in the Gross Paid In and Contributed Surplus account.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2006, and is summarized as follows:

| | |
|--|---------------------|
| Total Assets | <u>\$11,769,371</u> |
| Liabilities | \$7,796,529 |
| Surplus as Regards Policyholders | <u>3,972,842</u> |
| Total Liabilities and Surplus as Regards Policyholders | <u>\$11,769,371</u> |

Respectfully submitted,



Brian H. Sewell, CFE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Tennessee Insurance Company dated January 30, 2008, and made as of December 31, 2006, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Brian H. Sewell

Brian H Sewell, CFE
Examiner-in Charge
State of Tennessee
Southeastern Zone, NAIC

Subscribed and sworn to before me this

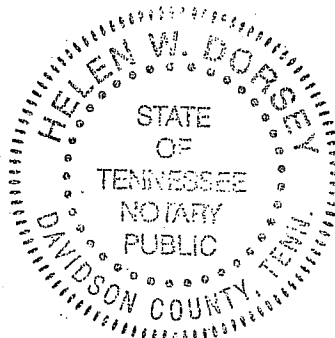
30th day of January, 2008

Notary Helen W. Dorsey

County Davidson

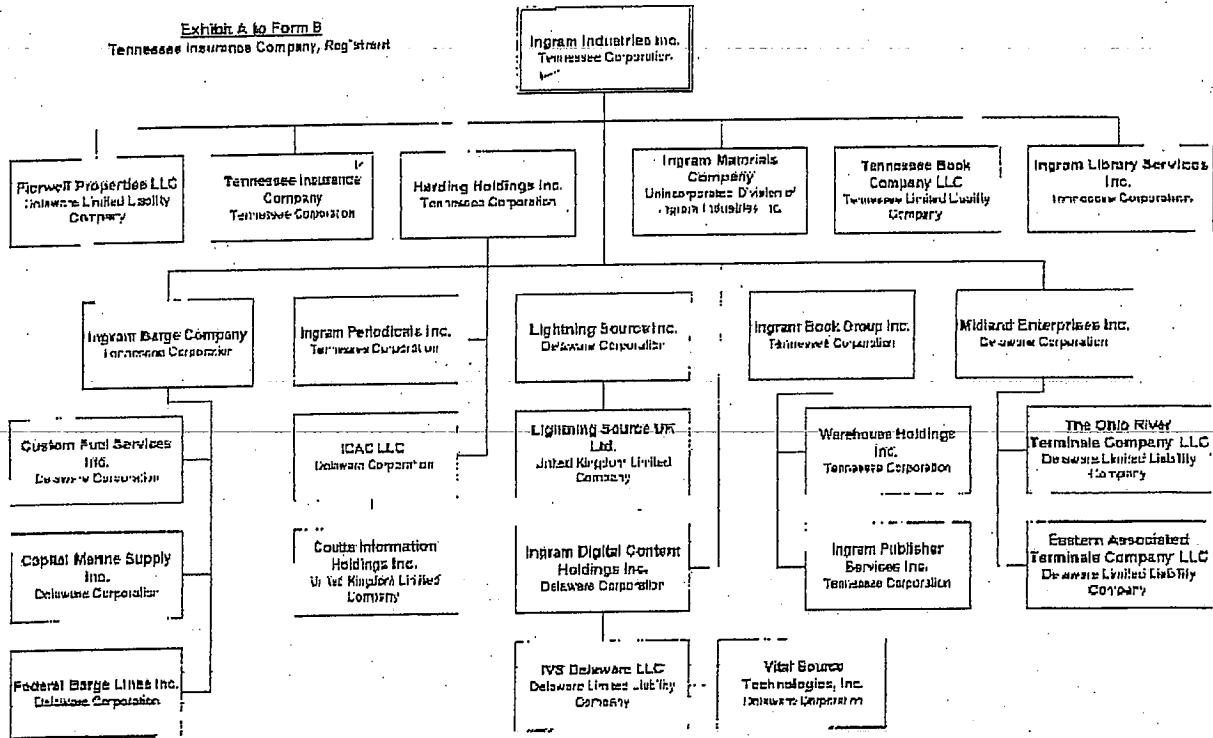
State Tennessee

Commission Expires 05/22/2010



My Commission Expires MAY 22, 2010

Exhibit A to Form B
Tennessee Insurance Company, Reg. # 1001





Tennessee Insurance Company ... Established 1930

TEL. 615-298-8200
FAX 615-298-8305

ONE BELLE MEADE PLACE
4400 HARDING ROAD
NASHVILLE, TN 37205-2290
P. O. BOX 23049 • ZIP 37202-3049

February 7, 2008

RECEIVED

FEB 11 2008

Dept. Of Commerce & Insurance
Company Examinations

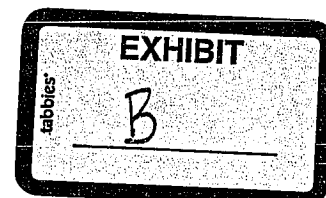
Mr. Philip Blustein, CFE
Insurance Examinations Director
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

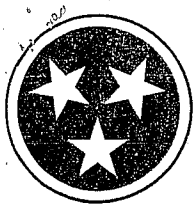
RE: Financial Condition Examination of
Tennessee Insurance Company
made as of December 31, 2006

Dear Mr. Blustein:

Tennessee Insurance Company acknowledges receipt and acceptance of the Examination Report dated January 30, 2008, with the exception of one clerical error on page 5. The Assets section of the Statement of Assets, Liabilities and Surplus (page 5 of the report) includes the line item "Interest due and accrued" of \$165,195; however, this item appears to be an erroneous entry. The other line items included in the report as well as the total assets amount properly reflect assets of Tennessee Insurance Company as reported in its 2006 Annual Statement. Attached for your reference in this matter is a copy of the Examination Report as well as pages 2 and 3 from the 2006 Annual Statement.

Additionally, the Subsequent Events section (page 7 of the report) states that on November 19, 2007 the Department approved Tennessee Insurance Company's redemption of \$1,765,700. Please note that in accordance with the Department's approval letter, as of November 30, 2007 Tennessee Insurance Company did redeem capital stock equal to \$1,765,700, with its parent Ingram Industries Inc. making a capital contribution of the redemption proceeds to Tennessee Insurance Company and





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Page 2

Mr. Philip Blustein, CFE

February 7, 2008

Tennessee Insurance Company transferring those proceeds directly and simultaneously to its Gross Paid In and Contributed Surplus account. As directed in the letter, we have forwarded to the Department the resolutions of Ingram Industries Inc. and Tennessee Insurance Company authorizing these transactions.

Sincerely,

Mary K. Cavarra

President, Tennessee Insurance Company

Att.: Report on Examination of the Tennessee Insurance Company
Annual Statement for the year 2006 of the Tennessee Insurance Company

REPORT ON EXAMINATION

of the

**TENNESSEE INSURANCE COMPANY
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as of

DECEMBER 31, 2006

DEPARTMENT OF COMMERCE AND INSURANCE

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Brian H. Sewell, CFE
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State of Tennessee
Southeastern Zone, NAIC

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State of Tennessee
Southeastern Zone, NAIC

Subscribed and sworn to before me this

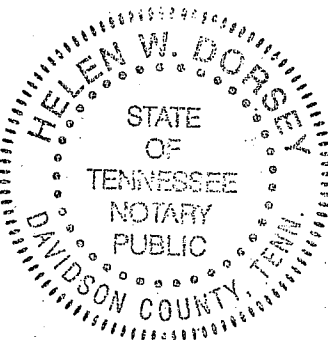
30th day of January, 2008

Notary Helen W. Dorsey

County Davidson

State Tennessee

Commission Expires 05/22/2010



My Commission Expires MAY 22, 2010

Exhibit A to Form B
Tennessee Insurance Company, Registered

Ingram Industries Inc.
Tennessee Corporation

